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24 March 1952

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## CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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PACOM review(s) completed.

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GENERAL

1. Radio Moscow denies presence of Soviet submarines in Dominican waters: [REDACTED]

Radio Moscow has dismissed the Dominican Republic's charge that Soviet submarines have been sighted in Dominican territorial waters as spurious and as being intended to stifle the growing popular opposition to the Mutual Security Act agreements. [REDACTED]

[REDACTED] Soviet refutation of the charge is unusual, since such accusations are usually ignored. [REDACTED]

Comment: Naval authorities of the Dominican Republic reported on 3 March that foreign submarines had been sighted in their territorial waters. The next day the American Naval Attache in that country reported that he was convinced a submarine was sighted and that he had been officially informed that no US submarines were in that area [REDACTED]

American naval units are conducting a search in the Caribbean Sea in the general vicinity where an unidentified submarine reportedly had been contacted intermittently over a period of several days.

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FAR EAST

4. Communist prisoners report no plague or cholera in their unit: Far East Command interrogation of 80 prisoners and civilian refugees, some of whom were in Communist North Korea as recently as 10 March, revealed that they knew of no plague or cholera in North Korea. Captured Communist soldiers reported that unit political and non-commissioned medical officers were the source of claims that the United Nations was using biological warfare.

25X1 The incidence of typhus, typhoid and small pox, however, equals last year's epidemic conditions, the Far East Command believes. [REDACTED]

25X1 Comment: The outbreak of disease in epidemic proportions among Communist troops and civilians in North Korea is a constant possibility. There are no convincing reports, however, of the recurrence of epidemics similar to those experienced by the enemy last year.

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7. Chinese Nationalists agree to drop reparations claim: The Nationalists have tentatively agreed to drop their claim for reparations from the Sino-Japanese treaty draft, according to the American Minister in Taipei. The Japanese argument that the treaty, if it contained the reparations clause, would never be ratified by the Diet, plus Nationalist anxiety to reach an early agreement, persuaded the Nationalists to consider the change. [REDACTED]

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Comment: The Nationalists have heretofore insisted on the inclusion of a reparations clause, both to maintain "face" on the mainland and as an acknowledgement of their position as a victorious nation. The Japanese, however, have opposed reparations, contending that they apply only to damages inflicted on the mainland.

The Nationalists have been anxious to conclude the treaty, fearing that the Japanese might break off the negotiations following the ratification of the San Francisco treaty by the United States.

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9. Profiteering restricts important Indochina rice export trade: Profiteering by Vietnamese provincial officials, Chinese merchants, and certain French military officials who are in a position to control the movement and marketing of rice is contributing to the virtual strangulation of Indochina's strategically important rice export trade. An economic expert of the French High Command told the American Legation that the French civil authorities are reluctant to take corrective action for fear of accusations of undue interference in the internal affairs of Vietnam. [redacted]

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Comment: Development of the rice export potential of South Vietnam could make a critical contribution to the economic autonomy and viability of Vietnam, and could thereby appreciably relieve the French financial burden in Indochina. The fact that the French authorities have not hesitated, on numerous other occasions, to intervene in Vietnamese internal affairs suggests that local French interests in Indochina are overriding higher interests of the French Government.

10. Pro-Communist links BW charge to Burma's security: Thakin Lwin, President of the Burma Branch of the World Peace Congress, called upon Premier U Nu in an open letter "to take steps" to prevent America from carrying on its "inhuman germ warfare" which is designed to "exterminate" the Korean people. He also accused America of concentrating weapons of mass destruction in Asia and stated that Burma faced the danger of becoming a battlefield because of the presence of Chinese Nationalist troops in Burma. [redacted]

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Comment: This letter is a skilful attempt to combine international Communist propaganda with a local problem which has been extremely embarrassing to the Burmese Government.

11. Two delegations from Burma to visit Communist China: A Burmese cultural mission, led by the Minister of Culture and Mass Education, will visit Communist China in April, according to the local press. The announced purpose of the trip is to return the visit of a Chinese cultural mission to Burma last December. In addition, a 40-man overseas Chinese mission is scheduled to leave Rangoon for China in mid-April in order to attend 1 May celebrations. [redacted]

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Comment: This flurry of Burmese missions proceeding into the Communist orbit is taking place at a time when increasing restrictions are being placed on the movement of Burmese to

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the West. The Burmese Government's explanation is that it wishes to equalize its relations between the free and Soviet worlds in accordance with its neutral foreign policy.

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13. Burmese delegation to Moscow Economic Conference chosen: Eight Burmans, including two conservatives, have been selected by the Burma Trade Union Congress to attend the Moscow Economic Conference. The Burmese Government has made no objection to the selections. [REDACTED]

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Comment: The BTUC is affiliated with the WFTU and is dominated by the pro-Communist Burma Workers and Peasants Party.

14. Socialist domination in Burma causing minority dissatisfaction: Premier Nu reportedly will not accept the candidate of Chin members of Parliament for the cabinet post of Minister of Chin Affairs, although such action is contrary to constitutional procedure. The Premier's objection to the candidate, according to the local press, is based upon the latter's relentless charges that his predecessor was an overzealous collaborator with Burmans.

The American Embassy in Rangoon states that signs of opposition to government policies within the Karen and Kachin ministries are increasing. The Embassy comments that these difficulties reflect the stiffening resistance of ethnic minorities to government attempts to carry out a "Burmanization" program, and may foreshadow defections to the insurgents or Chinese Nationalists, who recently have reportedly been seeking the cooperation of the Karens and Kachins. [REDACTED]

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Comment: The Burma Socialist Party, which dominates the Burmese Government, stands for complete "Burmanization" of the government and a more rapid implementation of socialism. Both policies are extremely distasteful to the ethnic minorities.

15. Indonesian Parliament names six observers to Moscow Economic Conference: The Finance and Economics Sections of the Indonesian Parliament have named four of their members as observers to the Moscow Economic Conference, and two others as alternates. The Agricultural Section expects to appoint several persons within a few days. A semi-official news agency reported that those attending the conference will not represent Parliament or any party or organization but "will be individually responsible for their own actions." [REDACTED]

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Comment: The Indonesian Parliament, always extremely sensitive on the point of Indonesia's independent foreign policy and still confused and angry over the Mutual Security Act issue, needed little urging to send some of its members to the Moscow conference. The decision to send observers could easily have been made without direct Communist influence; it is worth noting, however, that a member of the Communist Party (PKI) is chairman of the Finance Section, and that, as the result of a recent parliamentary reorganization, the PKI is now represented on every one of the ten parliamentary sections.

None of the persons appointed as observers is a Communist.

16. New Zealand delays deposit of Japanese Peace Treaty: The American Minister in Wellington reports that, although New Zealand has ratified the Japanese Peace Treaty, it has decided to withhold its final deposit because Japan's proposals, covering facilities in Japan for New Zealand's forces, contain less favorable terms than the US forces get under the Security Treaty. [REDACTED]

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Comment: Under the terms of a proposed agreement between Japan and the UN nations with forces in Korea, Japan will continue to extend rest and recreation facilities in the post-peace treaty period, but on a rental basis.

New Zealand apparently feels that the extension of such facilities, now provided free under the Occupation, should continue to be at Japanese expense, similar to the arrangements under the US-Japan Security Treaty.

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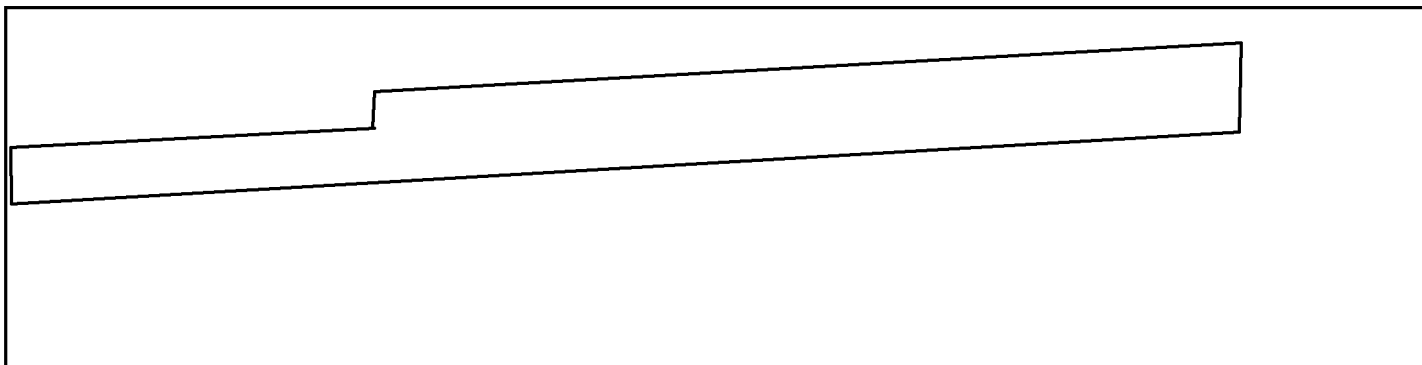
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19. Communists may establish an overt political party in Kashmir: Kashmiri Communists, who have lately intensified their activities, are reportedly considering withdrawal from the Kashmir National Conference party, led by Premier Sheikh Abdullah, and establishment of the first "progressive" opposition party in the state. According to this report in the Times of India, the Communists fear they will find themselves in a ridiculous position if they support Abdullah's pro-Indian party in Kashmir at the same time as they form an anti-government opposition in the Indian Parliament. [REDACTED]

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Comment: It is currently impossible to assess Communist strength in Kashmir because of the paucity of reported information on internal conditions within that state. It is unlikely, however, that Kashmiri Communists, who are influential both in the National Conference party and in Sheikh Abdullah's cabinet, would establish themselves as a separate opposition party until they were confident of their strength in Kashmir as well as of support from the Communists in the Indian Parliament. It would be difficult for either the Indian or the Kashmiri Governments to suppress an overt, peaceful Communist movement in Kashmir without provoking a storm of criticism from the Indian Communist Party and Communist deputies in the Indian Parliament. Publicity attending such suppression might even affect India's position on Kashmir in the UN Security Council.

NEAR EAST - AFRICA

20. Jordan-Syria rapprochement isolates Iraq: Top Syrian officials have concluded an extremely cordial three-day visit in Jordan. The Syrian Chief of State, Fawzi Selo, credited Jordan's King Talal with bringing about this new friendliness between their two states as well as that between Jordan and

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Saudi Arabia. It is generally believed that Jordan and Syria will soon establish diplomatic relations and negotiate trade agreements. [redacted]

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Comment: This visit highlights the re-alignment of the Arab states that has been taking place since the assassination of Jordan's King Abdullah on July 18, 1951.

Jordan and Iraq, once bound closely by Abdullah's dream of a Hashemite dynasty in the Near East, are now split because Abdullah's successor abandoned this ambition. Jordan's rapprochement with Syria on the north, following that with Saudi Arabia on the south, now leaves Iraq isolated.

Iraq's Prime Minister, moreover, is reported to be dissatisfied with the Arab League; this attitude will further alienate Egypt, which actively sponsors the League.

21. France opposes Turkish military assistance to Arab states:  
France opposes Turkish participation in Western military assistance planning for Syria or any Arab state, according to both the French and Turkish Foreign Offices. The French allege that Syria, as a former part of the Ottoman Empire, would misinterpret Turkey's role, thus jeopardizing Western objectives in that area. [redacted]

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Comment: French opposition developed particularly over offers to train Syrian officers in Turkey.

France can be expected to oppose any encroachments on its efforts to rebuild a special sphere of influence in Syria and Lebanon.

22. Turkish fears of Kurdish uprisings discounted by US Army Attache: General Nuri Yamut, Chief of the Turkish General Staff, recently told General Arnold, Chief of the American military mission in Turkey, that he expects trouble in the Kurdish areas of Turkey, Iran and Iraq. He reportedly gave Arnold a map showing the areas of potential disturbance.

The Military Intelligence officer on the Turkish General Staff and the Turkish Intelligence officer in charge of Kurdish affairs subsequently told the US Army Attache that there is no indication of imminent Kurdish trouble.

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25X1 The US Army Attache believes that General Yamut was referring to border disturbances which might arise if Iran were Soviet-dominated or if Soviet troops moved into the Near East.

Comment: The Kurds number approximately three million people; half live in Turkey, the remainder in Iran, Iraq, Syria and the USSR. During the past several years, the Soviet Union has beamed a steady barrage of radio propaganda at this Near East minority.

23. Political crisis in South Africa precipitated by court ruling: A tense atmosphere in Capetown is reported by the American Embassy, following Prime Minister Malan's indication that he will try by parliamentary means to reverse the Supreme Court's 20 March ruling that a law placing mixed-breed voters on a separate electoral roll is invalid.

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25X1 Comment:

Action against the court by the Nationalist government, on the other hand, would add to the fears of the large English-speaking minority that without such judicial protection its own constitutional rights might be imperiled.

The crisis arises on the eve of the nationwide demonstrations by non-Europeans scheduled for 6 April in protest against the Nationalists' segregation policies.

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WESTERN EUROPE

24. French Premier's economic program blocked in cabinet:  
The French Cabinet is seriously split on the means of closing a prospective gap of over one billion dollars in the 1952 budget, and presentation of a draft budget to the Assembly has consequently been delayed nearly two weeks. Premier Pinay has "most reluctantly" agreed to some new taxation, but he proposes cuts in all sectors of the budget except military expenditures. Members of his cabinet fear that borrowing will not produce the funds needed and that their departmental programs will be curtailed even further. [REDACTED]

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[REDACTED]  
Comment: Pinay set out to create an atmosphere of confidence while avoiding the tax increase and economy proposals which toppled the last two governments. This strategy is being undermined, however, by the urgency of voting revenues to meet the 10 billion dollars of 1952 expenditures tentatively agreed upon. Inasmuch as the left wing of his coalition will become increasingly restive if social legislation is weakened, the new budget will have to offer some conciliatory measures to satisfy labor.

The franc has steadied somewhat on the black market since Pinay's investiture, and he is in a good position to exert pressure on business to curb rising prices.

25. French Communists flout new press law fixing responsibility:  
The French Minister of Justice has ordered legal proceedings against three Paris Communist dailies for publishing false news based on an accident involving an American Army truck and resulting in the death of a French Communist labor leader. The Minister may be planning to invoke the new press law which prevents Communist editors from dodging responsibility on the plea of parliamentary immunity.

In the meantime, the Communist press is stepping up its exploitation of this incident in order to inflame anti-American sentiment. [REDACTED]

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Comment: The Communists were certain to be involved in a test case under the new press law, and party leaders had good reason to expect that maximum anti-US agitation could be attained in this instance.

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This is the latest in a series of French Government moves to circumscribe Communist activities by legal means.

26. Austrian move on occupation costs termed "unfair" by US Embassy: Austria has asked the United States to accept the future accounting of its expenditures in Austria at the commercial schilling-dollar exchange rate rather than at the premium rate. The Austrian note asserts that the premium rate has heretofore been financed from profits derived in previous currency devaluations, that present losses are now being charged against future devaluation profits, and that future losses will have to be covered in the Austrian budget as "American occupation costs."

The American Embassy in Vienna estimates that the proposed change would increase dollar expenditures in Austria by twenty percent, and describes the Austrian proposal to designate the excess charges as American occupation costs as "unfair, embarrassing, and clever." [REDACTED]

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25X1 [REDACTED] Comment: The 1947 agreement under which the United States pays its own occupation costs has proved useful both as a prestige measure and as a lever to persuade the other occupying powers to reduce their charges to a minimum. Despite Austria's budgetary deficit and dollar shortage, this latest proposal smacks of exploitation of US opposition to occupation costs charges and of US efforts to assist in curbing inflationary pressures in the Austrian economy.

27. Belgium threatens to curtail military commitment to NATO: The Belgian delegate to the European Defense Community states that, should the other members reject his country's proposal that all adopt a two-year period for compulsory military service, Belgium will be forced to "re-examine its NATO obligations." Belgium considers its present two-year conscription period essential for the fulfillment of its military commitments.

The French delegate comments that this new proposal has serious political implications. [REDACTED]

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Comment: Belgium is the only western European country whose conscripts are called to serve two years, and the government is under strong domestic pressure to reduce this period. Such a step is opposed by the Belgian Defense Minister on the ground that the country's present military program could not

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then be accomplished.

Critical financial and economic problems facing France make it impossible for its government to lengthen the eighteen month conscription period.

28. Spain evasive regarding initiation of negotiations with United States: The Spanish Government has given only an evasive reply to a US Embassy query regarding the opening of bilateral military and economic negotiations when Ambassador MacVeagh presents his credentials this week. The Spanish Foreign Ministry stated that the question was "under study" and that the government's response would depend on the information MacVeagh brings.

The American Embassy in Madrid believes that there will be no serious obstacle to the opening of negotiations.

Comment: Since last October the Spanish Government has been impatiently awaiting the arrival of an American negotiating team. In the meantime, it has apparently been trying to strengthen its bargaining position by introducing a number of issues such as the treatment of Protestants in Spain, a possible Mediterranean Pact with the Arab states, the return of Gibraltar, and France's allegedly hostile intentions toward Spain.

#### LATIN AMERICA

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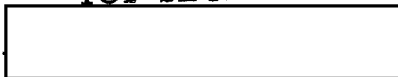
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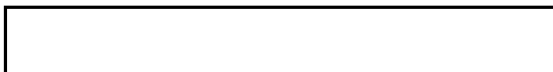
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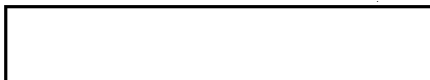
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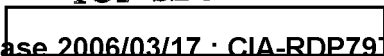
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FAR EAST

1. Japan may participate in Colombo Plan: The British representative in Tokyo has indicated that Britain would favor an invitation for a SCAP representative to attend the Karachi meeting of the consultative committee of the Colombo Plan. The Japanese Government, when queried, indicated that it would not object to either limited or full participation in the plan. [REDACTED]

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Comment: The commercial counselor of the United Kingdom Liaison Mission in Tokyo recently stated that the Colombo Plan could not succeed unless Japan were induced to participate. While Britain has previously opposed Japanese plans for economic expansion in South and South-east Asia, it may now believe that Japan's ability to supply capital equipment and aid in resources development outweighs the competitive factor.

2. Japan-Korea treaty talks making satisfactory progress: Japanese negotiators believe that the treaty of amity conference with the Republic of Korea is making satisfactory progress, according to the US Political Adviser in Tokyo. Virtual agreement has been reached on the nationality of Koreans in Japan, and on Japan's obligation to reimburse Korea for the vessels of Korean registry which fled to Japan in August 1945.

The most difficult issue is Japan's insistence that Japanese private property in Korea is not subject to confiscation by the Korean Government, and the latter's claim for property in Japan belonging to Japanese corporations whose head offices were in Korea. [REDACTED]

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Comment: It is probable that Japan is advancing the property claims only to offset Korean claims against Japan, and would be willing to accept mutual cancellation.

WESTERN EUROPE

3. Conference on German debts makes little progress: The London conference on a German debt settlement is making little progress because of the West German delegation's failure thus far to offer proposals for the settlement of any particular claims. The Germans insist that before they can make such offers, their government must know the total amount of all claims against it.

The conferees had hoped to conclude discussions before Easter, but are now considering adjourning on 9 April. to reconvene on 5 May.

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Comment: The Allied Tripartite Commission on German debts called a conference in London on 28 February to seek means for liquidating external claims against Germany so that the West German Government could re-establish its "international credit rating." All interested governments were invited. The claims, which cover both prewar and post-war obligations, may amount to as much as five billion dollars. The debts will probably be settled by partial and deferred payments.

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